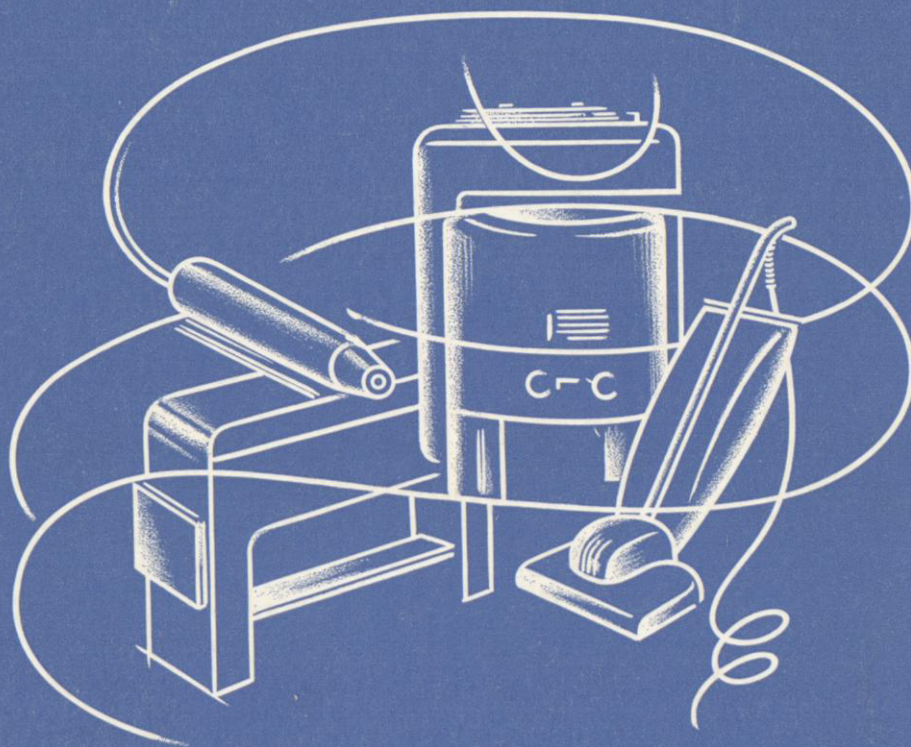


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CORPORATION FILE



1943

ANNUAL REPORT
TO STOCKHOLDERS

THE APEX ELECTRICAL MANUFACTURING CO.

MEED
CORP. FILE

Officers

C. G. FRANTZ.....President
E. C. BUCHANAN.....Vice-President
J. C. BRADLEY.....Treasurer
WM. A. McAFEE.....Secretary



Directors

R. H. CLARKE	E. J. KULAS
C. G. FRANTZ	WM. A. McAFEE
W. A. FRANTZ	D. E. MORGAN
C. A. KOLP	H. M. O'NEILL

WM. E. WICKENDEN



THE CLEVELAND TRUST COMPANY

Registrar and Transfer Agent

McAFEE, GROSSMAN, HANNING & NEWCOMER

General Counsel

ERNST & ERNST, Accountants

March 29, 1944

TO THE STOCKHOLDERS OF THE APEX ELECTRICAL MANUFACTURING COMPANY

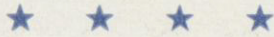
Presented herewith is the result of operations of the Company in the form of a Consolidated Balance Sheet and an Income and Expense Statement for the past year.

Earnings before Federal Taxes amounted to \$436,023. After provision for Federal Taxes of \$178,055, Net Earnings amount to \$257,968. This is equivalent to \$2.53 per Common Share after deduction of Prior Preferred Dividend requirements and compares with Net Earnings of \$212,004 or \$1.94 per Common Share for the year 1942.

Net Sales amounted to \$9,159,365. Other than Service Sales for commercial products of \$793,814 all business for the year consisted of war products. The year 1942 showed Net Sales of \$11,634,845 but did not include Service Sales, as these were included in the operating results as a net figure.

The substantial reduction in volume of the past year is largely accounted for by sales of \$2,986,918 in the year 1942 of Vacuum Cleaners, Washing Machines and Ironing Machines, whereas the year 1943 included no commercial products whatsoever other than service because production of home electrical appliances was completely stopped in April 1942.

Contracts for war products were secured to materially increase the volume of business in 1943, however, cancellations were received due to design and require-



ment changes by the armed services, to the extent of almost \$20,000,000. It is quite obvious that this brought about serious readjustments, curtailing volume and necessitating an active sales program to secure replacement business, with an extended period of lower volume while tooling and preparing for production.

The heavy expense of preparation for handling this large volume of business which was later cancelled, was included in the cost of operations for the year. Claims for recovery of these costs, on which there was no opportunity to realize returns, have been filed and while some of them have been settled there still remain substantial unsettled claims, the amount of which properly belongs in the income for the past year, but cannot be included until actually agreed upon. Continued effort is being made to effect settlement which, when concluded, will become an income for the period in which it is made.

Labor Costs and Expenses increased materially in line with the National rise in operating costs, however, through careful budgetary control of expenditures and some adjustment of selling prices it was possible to improve earnings in the face of reduced sales volume.

Depreciation of \$251,976 was charged against operations for the year. This amount is larger than normal due to amortizing facilities, acquired for the purpose of war production, over a period of 5 years instead of the normal life of these assets.

Current Assets of \$3,161,287 show a decrease from the previous year of \$814,729. Current Liabilities of \$1,219,749 show a decrease from the previous year of \$1,056,299. The ratio of Currents is 2.6 compared with 1.7 for the previous year. This improvement is largely due to a reduction in Accounts Receivable of \$1,621,383 with a corresponding reduction of Notes Payable from \$1,300,000 to \$500,000, a



substantial reduction in Accounts Payable and other current items, and an increase in cash balance to \$617,135. Inventory increased \$410,223 to a total of \$1,549,657. Working Capital improved \$241,570, now being \$1,941,538.

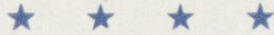
The requirements for war contracts now on the books indicate a need for substantial investment in Accounts Receivable and Inventories. Likewise the need for cash reserves to carry the Company over the period of reconversion when money invested in war contracts might be tied up for some period, has resulted in negotiation—subject only to the consent of the Prior Preferred Stockholders—for a VT Government sponsored loan of \$2,500,000.

Dividends paid during the year on Prior Preferred stock amount to \$43,082 at the rate of \$7.00 per share and on Common stock \$85,000 at the rate of \$1.00 per share. 1126 shares of Prior Preferred stock, par value \$112,600, were purchased for retirement purposes reducing this outstanding stock to \$552,100.

Expenditures for Permanent Assets were \$96,889. Plant additions and Reconversion expenditures for Permanent Assets over the next few years are not expected to exceed the depreciation reserve currently being provided.

Manufacturing operations are divided into four classifications—Cleveland Plant, Sandusky Plant, Foundry and Service Department. In addition, there is the Cleveland Research and Engineering Division now located in a separate building especially adapted to the purpose.

All Company facilities continue producing at maximum capacity, products for the armed services and service parts for maintenance of Company products in the hands of users.



Guarding against the effect of cancellations experienced in the past year, sub-contracts totaling \$12,000,000 have been secured with about 25 companies producing Aircraft and Naval equipment. This work is well diversified over products ranging from castings to those requiring the finest precision work for gunfire control equipment and high altitude aircraft operations.

No indication has been given as to when reconversion to commercial products may be expected, nor is it likely until the European war is under definite control. A large staff of engineers continue research and engineering work to provide the best available in Vacuum Cleaners, Washing Machines, Ironing Machines and Electric Motors for the time when needed.

Postwar Plans provide for two periods: (a) Reconversion—a quick changeover of plants and equipment using existing tooling to produce former models while materials and production are restricted. (b) Postwar—a later period of unrestricted when new tooling may be acquired to produce the latest developments now on the drafting boards. This should be a most interesting era and one of great advancement in the home appliance industry.

It is a pleasure to report that the relations with employees continue harmonious and cooperative, with recent installation of incentive systems of wage payment which should result in improved efficiency and greater earnings for the employees.

The Management acknowledges this spirit and extends its appreciation to all employees for their loyalty during these difficult times.

For the Directors

C. G. FRANTZ

President

CONSOLIDATED THE APEX ELECTRICAL MANUFAC

December

ASSETS			
CURRENT ASSETS			
Cash	\$	617,135	
Accounts receivable—Note A	\$1,010,387		
Less reserves	15,892	994,495	
Inventories—at lower of cost or market:			
Finished products, service parts, work in process, raw materials and manufacturing supplies—Notes A and B	1,549,657	\$3,161,287	
OTHER ASSETS			
Common stock of the Company purchased for resale to employees—5,000 shares at cost	\$	49,601	
Sundry receivables, advances, etc.	19,815	69,416	
PROPERTY, PLANT, AND EQUIPMENT			
Land at cost	\$	90,442	
Buildings, machinery, and equipment—at cost	\$1,483,106		
Less reserves for depreciation	659,117	823,989	
Emergency facilities	\$	500,978	
Less reserves for amortization	157,724	343,254	1,257,685
PATENTS, LICENSES, ETC.			
At cost less amortization		54,200	
DEFERRED CHARGES			
Insurance and sundry expense		21,937	
		<u>\$4,564,525</u>	

See notes to consolidated balance sheet.

BALANCE SHEET

TURING COMPANY AND SUBSIDIARY

31, 1943

LIABILITIES, CAPITAL STOCK, AND SURPLUS				
CURRENT LIABILITIES				
Notes payable to banks.....	\$	500,000		
Accounts payable:				
Trade accounts.....	\$	319,718		
Unpaid salaries, wages, etc.....		93,077		
Income tax and war savings bond with- holdings from employees.....		77,005		
Payroll taxes.....		56,727	546,527	
Accrued:				
State and local taxes.....	\$	19,472		
Federal capital stock tax.....		8,750	28,222	
Federal taxes on income—estimated for the year ended December 31, 1943.....	\$	155,000		
Less U. S. Treasury Notes—Tax Series pur- chased and held for payment of taxes.....		10,000	145,000	\$1,219,749
RESERVES FOR CONTINGENCIES.....				150,000
CAPITAL STOCK AND SURPLUS				
Capital stock:				
Prior preferred stock, 7% cumulative, par value \$100.00 per share, redeemable at \$105.00 per share—Note C:				
Authorized.....		10,000 shares		
Issued.....		9,670 shares		
Less redeemed and in treasury.....		4,149 shares		
Outstanding.....		5,521 shares	\$	552,100
Common stock, without par value:				
Authorized and issued 90,000 shares (in- cluding 5,000 shares held for resale to employees)				
Stated common capital.....			287,200	
			\$	839,300
Surplus—Note D:				
Capital surplus.....	\$	405,427		
Earned surplus.....		1,950,049	2,355,476	3,194,776
				<u>\$4,564,525</u>

NOTES TO CONSOLIDATED BALANCE SHEET

THE APEX ELECTRICAL MANUFACTURING COMPANY AND SUBSIDIARY

December 31, 1943

Note A—The Company has filed or is in process of filing claims against the U. S. Government and prime contractors in connection with certain contracts which were terminated or revised prior to December 31, 1943. Included in the consolidated balance sheet are the following approximate amounts which are or will become part of said claims:

Accounts receivable.....	\$181,000
Inventories.....	204,000
TOTAL.....	<u>\$385,000</u>

The claims filed or in process of filing include additional amounts for profit allowances, and costs, expenses, etc. which have been charged to profit and loss but which are considered applicable to the contracts. The management anticipates that final settlement of these claims will exceed the above carrying value but the amount cannot be determined at the present time.

Note B—Inventories which are restricted as to sale and use by various wartime regulations amount to approximately \$100,000.

Note C—Prior preferred shares purchased during the year 1943 exceed the amount required by the provisions of the prior preferred stock to be set aside as a sinking fund prior to March 31, 1944.

Note D—Pending final retirement of 4,149 prior preferred shares acquired for retirement and disposal of 5,000 common shares purchased for resale to employees, surplus is restricted in the amount of \$464,501.50, representing the aggregate par value and cost of such shares.

Note E—Reference is made to Note to consolidated profit and loss statement with respect to renegotiation of contracts under provisions of the War Profits Control Act.

CONSOLIDATED PROFIT AND LOSS STATEMENT

THE APEX ELECTRICAL MANUFACTURING COMPANY AND SUBSIDIARY

Year ended December 31, 1943

Net sales.....		\$9,159,365
Less:		
Cost of goods sold.....	\$8,219,711	
Selling, administrative, general, and other expenses.....	570,877	8,790,588
		<u>\$ 368,777</u>
Other income:		
Adjustment of prior years' provisions for depreciation to U. S. Treasury Department basis.....		70,536
Discount earned.....		12,071
Royalties.....		9,327
Interest earned and sundry income.....		1,894
		<u>\$ 462,605</u>
Other deductions:		
Interest expense.....		26,582
		<u></u>
	PROFIT BEFORE FEDERAL TAXES ON INCOME.....	\$ 436,023
Federal taxes on income—estimated:		
Provision for the year:		
Normal tax and surtax.....	\$ 155,000	
Prior years' adjustments.....	23,055	\$ 178,055
		<u></u>
	NET PROFIT.....	<u>\$ 257,968</u>

Provision for depreciation and amortization of property, plant, and equipment charged to costs and other expenses for the year ended December 31, 1943, aggregated \$251,976.

Note—Renegotiation proceedings under the War Profits Control Act have been concluded for the year 1942 and it was found that no excessive profits for that year had been realized. Renegotiation proceedings for the year 1943 have not been commenced, but it is the opinion of the management that no excessive profits were realized for that year.

STATEMENT OF CONSOLIDATED SURPLUS

THE APEX ELECTRICAL MANUFACTURING COMPANY AND SUBSIDIARY

Year ended December 31, 1943

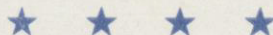
CAPITAL SURPLUS

Balance at January 1, 1943.....	\$ 402,994
Excess of par value of prior preferred stock purchased for retirement over cost thereof.....	2,433
BALANCE DECEMBER 31, 1943.....	\$ 405,427

EARNED SURPLUS

Balance at January 1, 1943.....	\$1,820,163
Add net profit for the year.....	257,968
	\$2,078,131
Deduct cash dividends paid:	
On prior preferred stock (\$7.00 per share).....	\$43,082
On common stock (\$1.00 per share).....	85,000
	128,082
BALANCE DECEMBER 31, 1943.....	\$1,950,049

Note—Reference is made to Note to consolidated profit and loss statement with respect to renegotiation of contracts under provisions of the War Profits Control Act and Note D to consolidated balance sheet.



ERNST & ERNST
ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE
CLEVELAND
Union Commerce Building

Board of Directors,
The Apex Electrical Manufacturing Company,
Cleveland, Ohio

We have examined the consolidated balance sheet of The Apex Electrical Manufacturing Company and subsidiary as of December 31, 1943, and the consolidated statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, including tests of accounts receivable by direct communication with selected customers and observation of inventory procedures at the end of the year, and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of The Apex Electrical Manufacturing Company and subsidiary at December 31, 1943, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
March 24, 1944

APEX PROGRESS SIGNIFICANT IN 1943

High standards of precision manufacturing maintained by practical application of

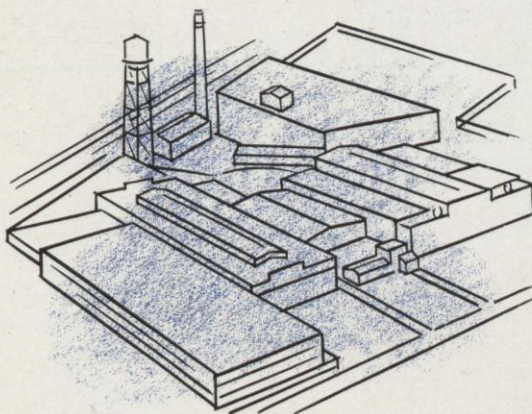
- ★ Sound engineering principles
- ★ Skilled craftsmanship
- ★ Rigid inspection methods
- ★ Careful planning

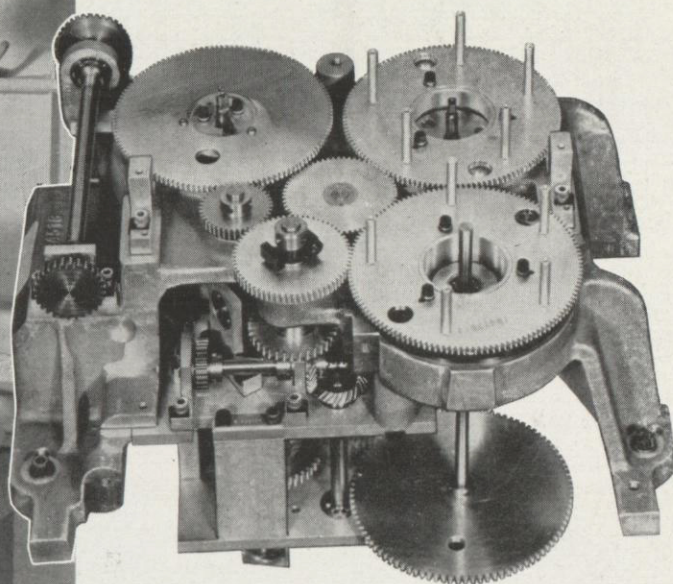
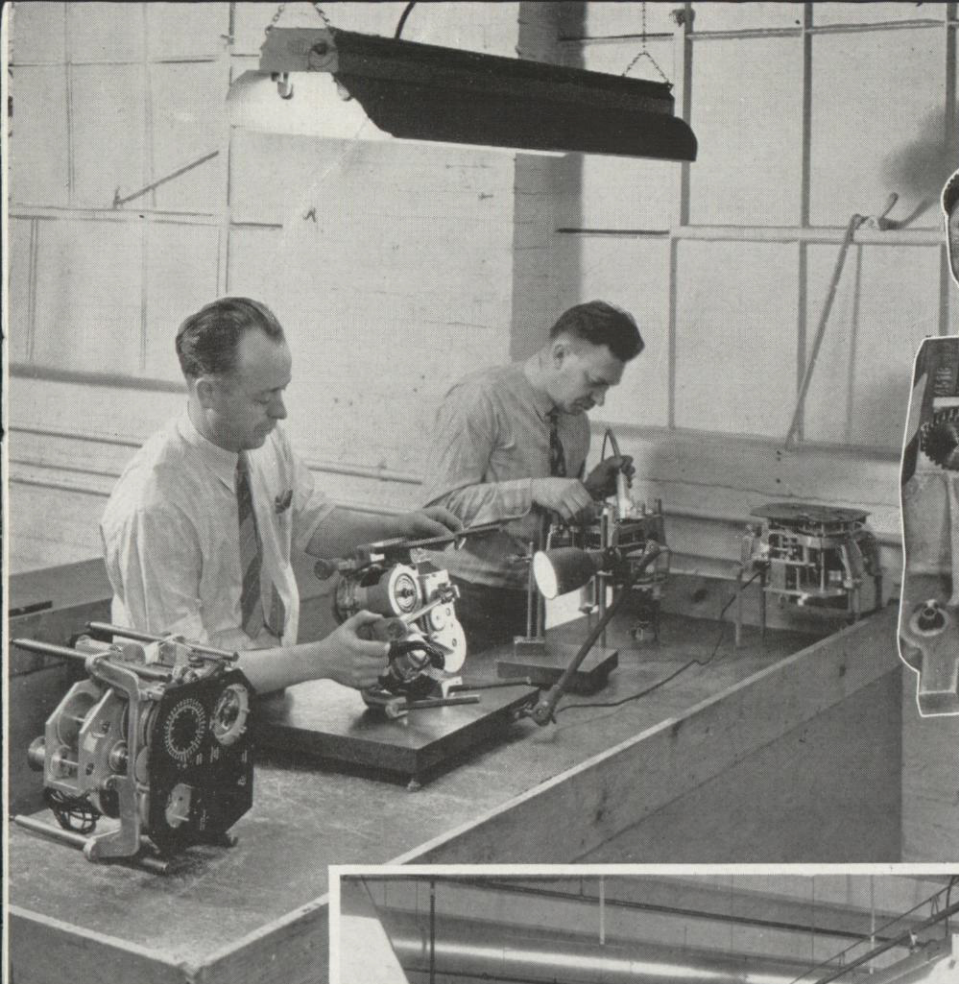
CLEVELAND PLANT

In 1943, the facilities in the Cleveland Main Plant were devoted entirely to the production of war material. The extreme accuracy requirements of such work provided a real test of expert craftsmanship and precision manufacturing methods for Apex production men, engineers, metallurgists, and workers.

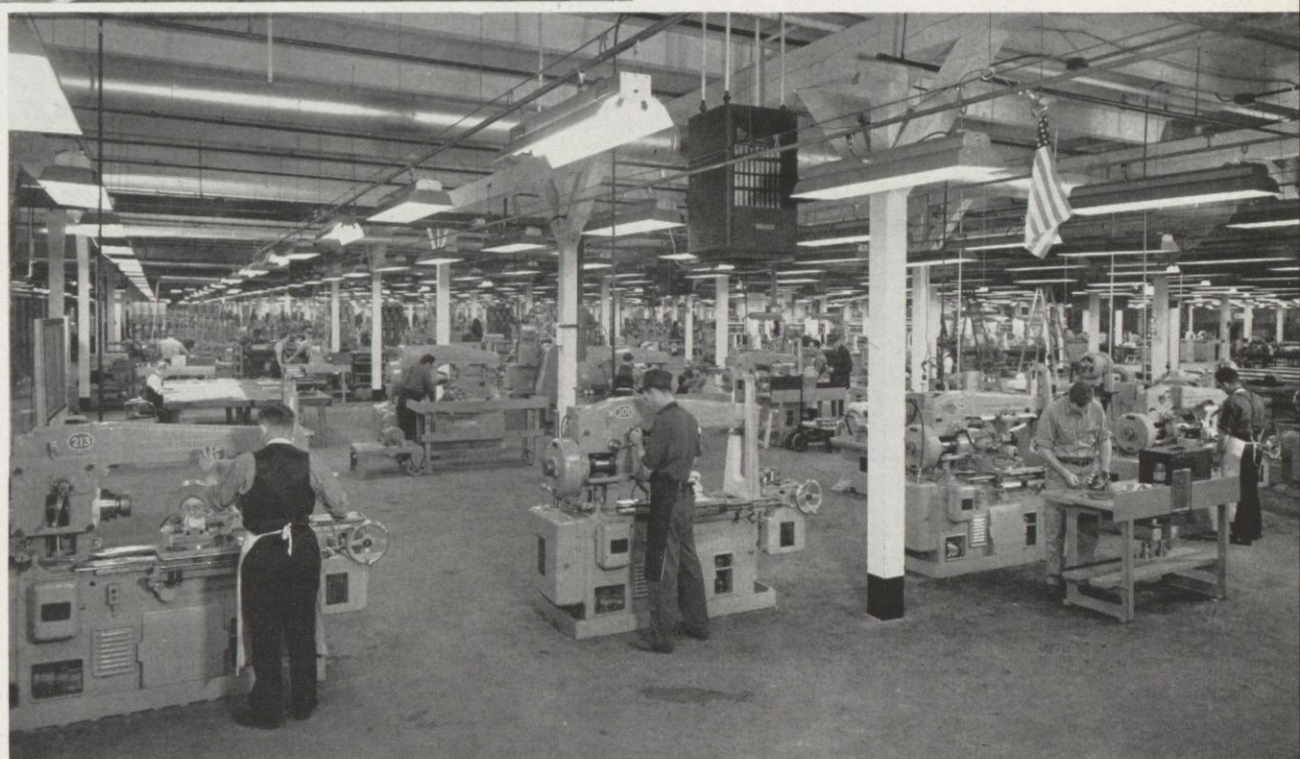
Delicate mechanisms and highly precisioned parts such as: intricate firing controls for naval guns, aircraft electric generators, pilot controls for wing flaps, various pumps, controls, and engine parts — will definitely be reflected in the improvement of tomorrow's peacetime appliances.

Cleveland assembly line of precision made gun firing control instruments. Housings are completely sealed before shipping.





*Interior view of
The Cleveland
Plant modern
machine shop.*



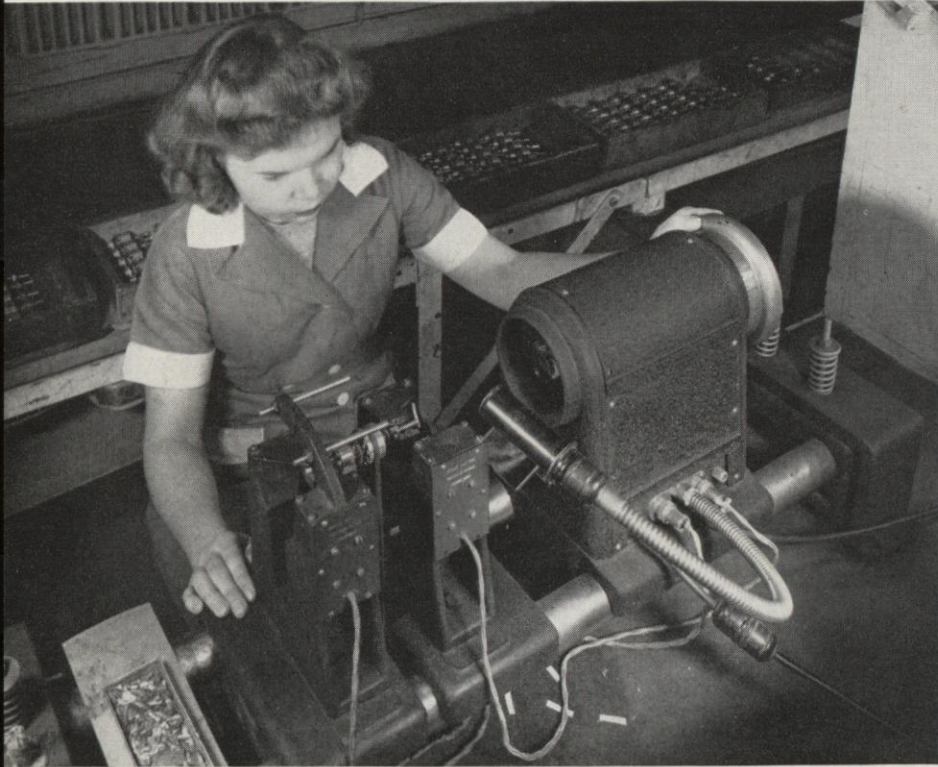
*Upper left—Rigid inspection methods
are needed for testing tolerances,
back lash, and end play of this intri-
cate gun firing control equipment.*

*Upper right—Cut away view of a
delicate mechanism and highly pre-
cisioned parts of firing control for
naval guns.*

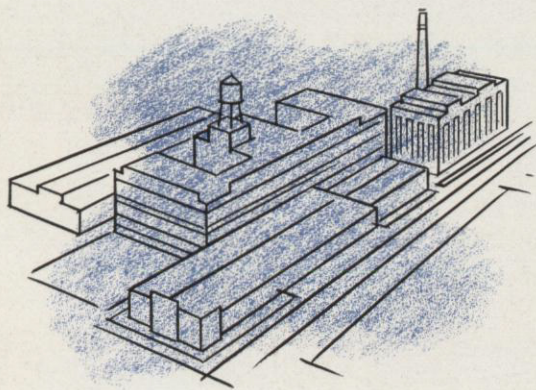
SANDUSKY PLANT

The Sandusky Division of Apex made a most credible production record during the past year. The anticipated forecast was surpassed by simplifying the production operations, special employee training courses, reorganization of personnel, and modernizing assembly lines and methods. Today, the Sandusky plant is a major supplier of supercharging rotary pumps for Pratt & Whitney 18 cylinder aircraft engines.

Dynamic balancing machine registers balance photoelectrically.



Bottom—Eight hour test run for aircraft engine supercharging pumps.



Binocular Microscope Machine used for observing defects.



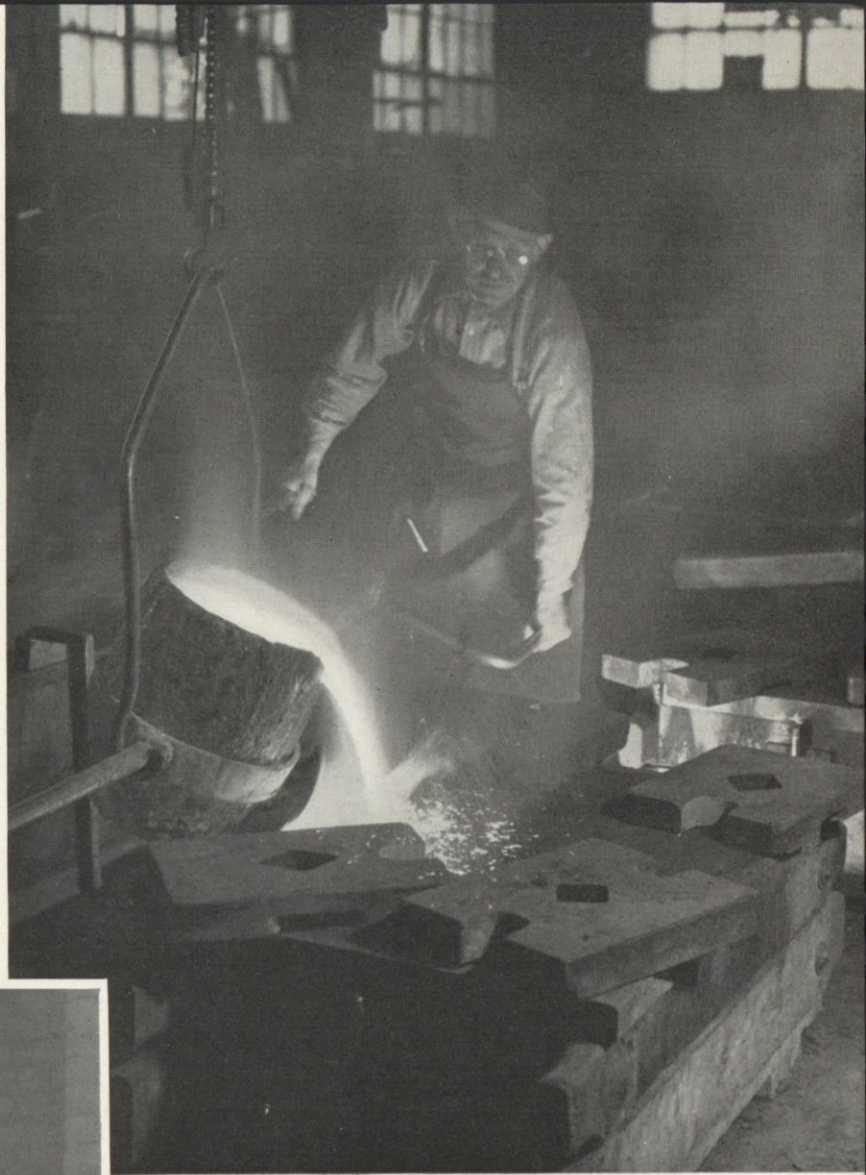
FOUNDRY

The Apex Foundry produced over 150 different aluminum, bronze and brass castings for prime contractors holding vital war contracts. The outstanding record of production was considered a major contribution to the united war effort. With only a minimum of new equipment or improved facilities the complete conversion to wartime production was accomplished quickly and with little difficulty.

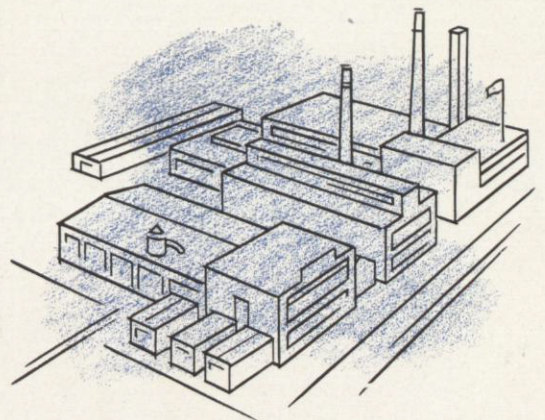
Most of the successful results can be attributed to the resourcefulness and initiative of the foundry men and women.



Pouring a 200 pound bronze casting for Diesel landing barges.



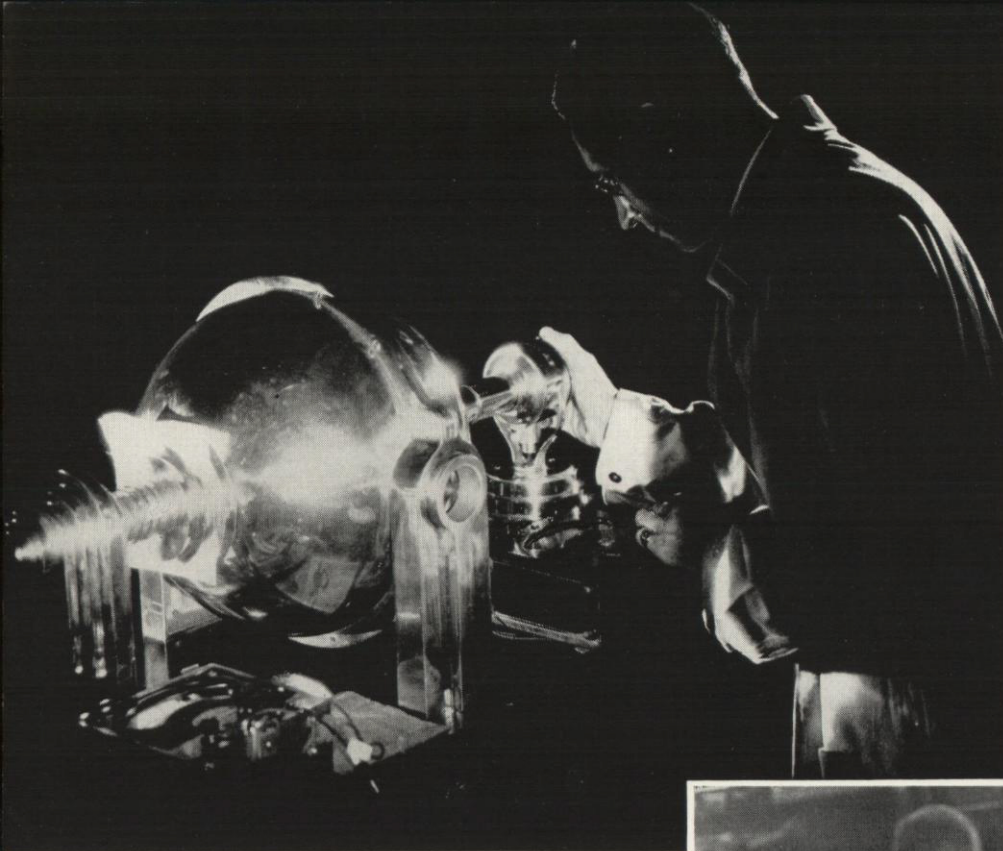
Removing hot crucibles of metal to overhead conveyor before pouring processes.



APEX FOUNDRY
CLEVELAND

RESEARCH LABORATORY

The Apex Research Laboratory is playing a vital role in the development and preparation of Postwar appliances. The extensive experimental work carried on by the engineers, designers, and planners in the Research Laboratory will be reflected in the public acceptance of Apex peacetime products.



Apex Cleanoscope, a delicate recording instrument which accurately measures the dirt deposits on washed clothes.



Engineers and draftsmen, study carefully for the postwar future of Apex appliances.

